

# **MOSES KOTANE LOCAL MUNICIPALITY**

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**FOR THE YEAR ENDED 30 JUNE 2007**

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## MOSES KOTANE LOCAL MUNICIPALITY

### GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2007

#### SPEAKER

COUNCILLOR: M NONDZABA

#### MAYOR

COUNCILLOR: P. MOLELEKENG

#### MEMBERS OF THE EXECUTIVE COMMITTEE

COUNCILLOR: P L MOLELEKENG (CHAIRPERSON)

COUNCILLOR: D R TLABYANE

COUNCILLOR: V KHESWA

COUNCILLOR: P MOLOI

COUNCILLOR: M F MOKATI-THEBE

COUNCILLOR: A SETOU

COUNCILLOR: E D MOGALE

COUNCILLOR: D E MEKGWE

#### MEMBERS OF THE COUNCIL

WARD	COUNCILLOR
1	H NDLOVU
2	V L LEFOROE
3	M PEMLA
4	M F MOKATI-THEBE
5	M G RAMAPOTOKA
6	D R TLABYANE
7	S S C NTSHABELE
8	D M LEOTO
9	K MOTSHEGOE
10	L NTSAMAI
11	R MADIBELA
12	B V MOATSHE
13	T MANGANYE
14	J L MASILO
15	M R SEEMA
16	J SELOTLEGO
17	M J TSHITE
18	A M LESENYANE
19	J MEKGWE
20	L KGASOANE
21	S VAVA
22	M K KHUNOU
23	T J KAU
24	L SEBOKOANE
25	E MOSHWEU
26	D MOFOLO
27	S MOGOROSI
28	L MOATE
29	T J MOENG
30	O D MAHUPELA

## MOSES KOTANE LOCAL MUNICIPALITY

### GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2007

#### MEMBERS OF THE COUNCIL: PROPORTIONAL

##### COUNCILLOR

E D MOGALE  
E MOLOTSI  
G NONG  
M MOLATUDI  
M NONDZABA  
P L MOLELEKENG  
M MONYATSI  
M SEGODI  
L NHLAPO  
P BOSIELO  
R DIALE  
V KHESWA  
A SETOU  
J MOOKANENG  
E T LEPHOTO

##### COUNCILOR

D E MEKGWE  
C MONTSHO  
J M MOLETSANE  
M RASEPAE  
R MOTLHAGA  
K NTSHWAGONG  
D MODIKELA  
D KUBEKA  
C P SEPHOTI  
P B MATHOPE  
P MOLOI  
B RAKATANE  
P M MAOTA  
J MOKAE  
G RAMORWESI

#### GRADING OF LOCAL AUTHORITY

NONE

#### AUDITOR

The Auditor General

#### BANKERS

ABSA Bank Rustenburg

#### REGISTERED OFFICE

Civic Centre  
Mogwase

Private Bag X 1011  
Mogwase  
0314

Telephone: (014) 555 1300  
Fax : (014) 555 6368  
Email : municipalmanager@moseskotane.co.za

#### APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 5 to 40 were approved by the Municipal Manager on 31 August 2007. It will be presented to the Executive Committee and Council during September 2007.

#### MUNICIPAL MANAGER

Mr. G.J. Moatshe ( B. Com; B. Ed. )

#### DIRECTOR FINANCE

Mr. G.J. Moatshe ( B. Com; B. Ed. )

## MOSES KOTANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

#### 1. Basis of presentation

- 1.1. These financial statements have been prepared to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities ( 2nd edition 1996, as amended).
- 1.2. The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 3. The accounting policies are consistent with those applied in previous years, except where otherwise indicated.
- 1.3. The financial statements are prepared on the accrual basis:  
Income is accrued when measurable and available. Certain direct income is recorded when received, such as governmental grants.  
Expenditure is accrued in the year it is incurred.

#### 2. Consolidation

The balance sheet includes Rates and General Services, Housing Service, Trading Services and the different funds, reserves and provisions. All inter-departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, sewerage, which are treated as income and expenditure in the respective departments.

#### 3. Fixed assets

- 3.1. Fixed assets are stated at historical cost or at valuation (based on market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.
- 3.2. Depreciation: The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:  
Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.
- 3.3. All net proceeds from the sale of fixed property are credited to the Asset Financing Fund. Net proceeds from the sale of other assets are also credited to the Asset Financing Fund or to Income.
- 3.4. Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest is charged to the service concerned at the ruling interest applicable at the time the advance is made.

## MOSES KOTANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

#### 4. Inventory

Inventory (stores and materials) is valued at the lower of cost, determined on the weighted average basis and net realisable value.

#### 5. Trust Funds

##### Sisal Project

Funds are set aside for a Local Economic Development community based project in the Madikwe District

Goat Feedlot Project

The goat feedlot project is a community based project financed by Provincial Government

Mabeskraal Library

The erection and maintenance of the Mabeskraal Library is funded by grants from the North West Province

Interns

Grant received from National Government for the capacitating of 4 Interns in Local Government

Vuna Awards

Grant received from the Vuna Awards Consortium to be utilized by the Council as pleased.

Drought Relief

Grant received to be utilized by the council in those areas were needed.

#### 6. Reserves

Capital Reserve Fund

Funds are set aside to finance assets from internal sources

#### 7. Provisions

Provisions are created for liabilities or contingencies which are known at the date of the balance sheet, but for which the amounts involved cannot be determined with substantial accuracy. Provisions are made for audit and bad debts.

#### 8. Retirement benefits

All employees are contributing to the retirement funds of the Provincial Government.

## MOSES KOTANE LOCAL MUNICIPALITY

### ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

#### **9. Surpluses and deficits**

Any surpluses or deficits arising from the operation of services are transferred to Rate and General Services to alleviate the tax burden of rate payers.

#### **10. Treatment of administration and other overhead expenses**

The cost of internal support services are transferred to the different services in accordance with the IMFO's Report on Accounting for Support Services.

#### **11. Investments**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested according to the provisions contained in Circular 26 of 1991 issued by the Provincial Administration.

#### **12. Income recognition**

##### **12.1 Electricity and water billings**

The council is rendering only water services as from 1 July 2006.

All meters are read and billed monthly. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read.

##### **Assessment Rates**

Assessment rates are levied on land as well as the improvement value of a property where the property has been developed.

Differentiated tariffs are applicable depending on the use of the property.

Assessment rates are not levied on empty properties.

#### **13. Lease of fixed assets**

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable in the Income Statement.

#### **14. Sale of fixed property/stands**

The revenue generated through the sale of fixed assets must be allocated to the Land Trust Fund.

# MOSES KOTANE LOCAL MUNICIPALITY

## BALANCE SHEET AT 30 JUNE 2007

		2007 R	2006 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES	Note	8 033 644	14 337 695
Statutory Funds	1	595 888	493 828
Trust Funds	2	7 437 756	13 316 115
Reserves	3	0	527 752
RETAINED SURPLUS	17	14 768 705	25 226 434
		22 802 349	39 564 129
LONG TERM LIABILITIES	5	52 467 897	39 890 076
CONSUMER DEPOSITS - SERVICES	6	0	0
		75 270 246	79 454 205
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	7	43 940 092	41 976 201
LONG TERM DEBTORS	9	361 856	491 828
		44 301 948	42 468 029
NET CURRENT ASSETS		30 968 298	36 986 176
CURRENT ASSETS		71 508 619	79 249 526
Inventory	10	2 023 728	95 059
Debtors	11	64 156 980	33 072 599
Short term portion of long term debtors	9	0	
Short term portion of investments	8	1 046 681	42 091 518
Cash	22	4 281 230	3 990 350
CURRENT LIABILITIES		-40 540 321	-42 263 350
Creditors	12	34 205 060	38 287 960
Loans: Short term portion	5	3 976 681	2 484 873
Provisions	4	2 358 580	1 490 517
		75 270 246	79 454 205

# MOSES KOTANE LOCAL MUNICIPALITY

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Income	2006 Actual Expenditure	2006 Surplus / (Deficit)		2007 Actual Income	2007 Actual Expenditure	2007 Surplus / (Deficit)	Budget Surplus / (Deficit)
R	R	R		R	R	R	R
89 031 556	76 101 480	31 720 380	RATE AND GENERAL	100 551 569	93 890 609	6 660 960	-6 773 825
81 904 448	50 184 069	31 720 380	SERVICE	99 362 610	64 969 172	34 393 438	18 344 090
25 957	7 957 276	-7 931 319	Community services	15 727	10 937 489	-10 921 762	-11 030 652
7 101 150	17 960 136	-10 858 986	Subsidised services	1 173 232	17 983 948	-16 810 716	-14 087 263
			Economic services				
0	0	0	HOUSING SERVICES	0	0	0	0
0	6 583 597	-6 583 597	TRADING SERVICES	54 028 156	54 491 072	-462 916	6 859 665
89 031 556	82 685 077	6 346 478	TOTAL	154 579 725	148 381 681	6 198 044	85 840
		-4 794 885	Appropriations for the year (refer to note 17)			-2 921 492	
		6 346 478	Net surplus for the year			6 198 044	
		14 411 130	Accumulated surplus at the beginning of the year			25 226 434	
		9 263 711	Prior year adjustments			-13 734 281	
		25 226 434	ACCUMULATED SURPLUS AT THE END OF THE YEAR			14 768 705	

(Refer to appendices D and E for more detail)



# MOSES KOTANE LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
<b>CASH RETAINED FROM OPERATING ACTIVITIES</b>		462 650 199	83 652 966
Cash generated by operations	18	-5 404 939	29 191 104
Investment income	16	1 482 374	2 053 647
(Increase) / decrease in working capital	19	-36 097 915	9 557 907
		-40 020 480	40 802 658
Less: External interest paid	16	-6 018 952	-5 009 758
Cash available from operations		-46 039 432	35 792 900
Net proceeds on disposal of assets		605 636	
Cash contributions from the public and State		508 083 995	47 860 066
<b>CASH UTILIZED IN INVESTMENT ACTIVITIES</b>			
Purchase of Assets		-517 473 785	-65 464 733
<b>NET CASH FLOW</b>		<u>-54 823 586</u>	<u>18 188 233</u>
<b>CASH EFFECTS ON FINANCING ACTIVITIES</b>			
Increase / (decrease) in long term loans	20	14 069 629	4 635 705
(Increase) / decrease in cash investments	21	41 044 837	-30 012 911
(Increase) / decrease in cash	22	-290 880	7 188 973
<b>NET CASH (GENERATED) / UTILIZED</b>		<u>54 823 586</u>	<u>-18 188 233</u>
Note			
Disposal of asset 06/07 Financial Year		605 636	

**MOSES KOTANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007**

	2007 R	2006 R
<b>1 STATUTORY FUNDS</b>		
Land Trust Fund	595 888	493 828
Established in terms of Section 79(18)(f) of the Local Government Ordinance 17 of 1939 for the sale of stands in Unit 5 Mogwase		
<b>2 TRUST FUNDS</b>		
Refurbishment Grant	4 809 544	
Sisal Project	0	53 670
Goat Feedlot Project	209 393	209 393
LED Projects		
Mabeskraal Library	227 983	302 229
Interns	0	467 110
Vuna Awards	750 000	750 000
Drought Relieve	1 136 836	11 533 713
MSIG Grant	304 000	
	<u>7 437 756</u>	<u>13 316 115</u>
<b>3 RESERVES</b>		
Capital Reserve Fund	<u>0</u>	<u>527 752</u>
	<u>0</u>	<u>527 752</u>
(Refer to appendix A for more detail)		
<b>4 PROVISIONS</b>		
Provision for Leave	2 358 580	1 490 517
<b>5 LONG TERM LIABILITIES</b>		
Annuity loans	56 444 578	42 374 949
Less: Current portion transferred to current liabilities		
Short Term Portion	-3 976 681	-2 484 873
	<u>52 467 897</u>	<u>39 890 076</u>
<p>The loan from ABSA amounts to R 6 900 000 repayable at quarterly intervals at an interest rate of 13,4% over a period of 10 years with the last payment on 30 September 2011</p> <p>The loan from INCA amounts to R 15 300 000 repayable at half yearly intervals at an interest rate of 14% over a period of 15 years with the last payment on 31 December 2017</p> <p>Another loan from INCA amounts to R 605 000 repayable at half yearly intervals at an interest rate of 14,50% over a period of 5 years with the last payment on 31 December 2007</p> <p>A loan R 13,357,818 was raised from DBSA at half yearly intervals at an interest rate of 11,44 over a period of 20 years</p> <p>Loans to the value of R 7 100 783 was raised from ABSA</p> <p>(Refer to appendix B for more detail on long-term liabilities)</p> <p>The assessments rates payable by Sun City is ceded to DBSA and INCA</p> <p>Unspent loans amounts will be spent during the 2007/2008 financial year.</p> <p>Interest and administrative charges capitalized by ABSA R20 513</p> <p>The Council raised a loan of R14 000 000 Inca at half yearly intervals at an interest rate of 11,40 over a period of 15 years for the extension of the Civic Centre</p> <p>The Council raised a loan of R3 092 863 at ABSA for the purchase of vehicles, machinery and a dwelling for the Mayor</p> <p>Interest and administrative charges capitalized by ABSA amounts R20 513</p>		
<b>6 CONSUMER DEPOSITS - SERVICES</b>		
Electricity and water	<u>0</u>	<u>0</u>

**MOSES KOTANE LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (Continued)**

	2007 R	2006 R
<b>7 FIXED ASSETS</b>		
Fixed assets: beginning of the year	184 696 670	119 231 937
Capital expenditure during the year	517 473 785	65 464 733
Less: Assets written off, redeemed, transferred or disposed of during the year	605 636	
Total fixed assets	701 564 819	184 696 670
Less: Loans redeemed and other capital receipts	-657 624 727	-142 720 469
Net fixed assets	43 940 092	41 976 201

Capital expenditure amounting to R 517 473 785 is financed as follows:

Grants	R 508 083 996
External loans	R 3 481 256
Capital Reserve Fund	R 2 743 955
Income	R 1 638 195

Assets of R7 808 839 are pledged as security for liabilities at ABSA ( Vehicles )

Assets to the amount of R427 963 117 was transferred from DWAF and

The Magalies and Botshelo Water Boards as the Council is the service provider for water as from 1 July 2006

**Capital Work in Progress**

Lesetlheng Road	3 494 504
Upgrading of Sport Stadiums	546 194
High Mast Lights Mabela-a-Podi	17 613
Ledig Water Reservoir	396 469
Mothlabe Water yard Connections	25 927
Housing Project Unit 6	2 124 186

The above capital projects are still in progress and will be capitalized as soon as the projects are completed or as funds are received as budgeted for.

**8 INVESTMENTS**

ABSA Call Account Extension of the Civic Centre	267 726	
ABSA Call Account MIG	12 831	
ABSA Call Account	629 141	31 963 436
ABSA 32 Days Notice Account		10 000 000
ABSA Fixed Deposit - 12 Months	136 983	128 082
	<u>1 046 681</u>	<u>42 091 518</u>

Management's valuation of unlisted investments

<u>1 046 681</u>	<u>42 091 518</u>
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Circular no 25 of 1995 issued by the Provincial Administration requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

No investments were written off during the year.

An amount of R107 700 of the investment at ABSA which amounts to R136 983 is ceded to Escom serving as a electricity deposit at the Civic Centre

**9 LONG-TERM DEBTORS**

Erven sales	361 856	491 828
Less: Short term portion transferred to current assets		
Total	<u>361 856</u>	<u>491 828</u>

Stands sold in Unit 5 Mogwase

The period of the loans has lapsed and therefore no short term portion

# MOSES KOTANE LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (Continued)

	2007 R	2006 R
<b>10 INVENTORY</b>		
Inventory represents consumable stores at cost	<u>2 023 728</u>	<u>95 059</u>
<b>11 DEBTORS</b>		
Current consumers debtors	52 159 381	29 214 485
Sundry Debtors Suspense	<u>19 425 376</u>	<u>6 556 822</u>
Plus VAT Control	8 247 424	2 474 332
Sundry Debtors	<u>179 028</u>	<u>177 025</u>
	80 011 209	38 422 664
Less: Provision for bad debts	<u>15 854 229</u>	<u>-5 350 065</u>
	<u>64 156 980</u>	<u>33 072 599</u>
No amounts were written off as bad debts during the year ( 2006/2007 )		
<b>12 CREDITORS</b>		
Trade creditors	16 917 014	7 099 165
Auditor General		
Amounts received in advance	128 634	208 888
VAT - Control		
Sundry Creditors Suspense	13 902 867	24 383 785
Housing	<u>3 256 545</u>	<u>6 596 122</u>
	<u>34 205 060</u>	<u>38 287 960</u>
<b>13 ASSESSMENTS RATES</b>		
Residential and Commercial	7 857 594	4 051 300
Government	2 535 482	2 789 749
Sun City	11 278 780	10 648 000
Mines	<u>1 008 670</u>	<u>956 350</u>
Totals	<u>22 680 526</u>	<u>18 445 399</u>

Valuations are performed every three years and the first valuation roll came into effect on 2 July 2002.

Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

Assessment rates are calculated on land as well as on improvements.

A rebate of 20% is granted to State properties

The tariff structure and valuations are set out under Statistical Information. ( Refer page 39 )

# MOSES KOTANE LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2007 (Continued)

	2007 R	2006 R
<b>14 COUNCILOR'S REMUNERATION</b>		
Mayor's allowance	272 915	175 365
Speaker	226 796	141 536
Executive Committee member's allowance	1 444 404	1 143 538
Chief Whip	202 041	127 673
Councilor's allowance - Part-Time	4 140 005	1 947 597
Traveling allowance	2 477 693	872 984
Pension fund contribution	925 338	499 510
Medical aid contribution	221 757	292 906
Housing Allowance		426 885
Personal Facilities		184 000
Telephone	538 836	507 663
	<u>10 449 785</u>	<u>6 319 657</u>
The Mayor, Speaker, Chief Whip and Exco Members are full-time.		
The Mayor and Speaker are provided with an office and a secretary at the cost of the Council.		
<b>15 AUDITOR'S REMUNERATION</b>		
Audit fees	<u>423 100</u>	<u>365 000</u>
<b>16 FINANCE TRANSACTIONS</b>		
Total external interest earned and paid		
Interest earned	1 482 374	2 053 647
Capital charges charged to operating account		
Interest paid		
External	6 018 952	5 009 758
Redemption paid		
External	3 043 747	2 483 977
<b>17 APPROPRIATIONS</b>		
Appropriation account		
Accumulated surplus / (deficit): beginning of year	25 226 434	14 411 130
Operating surplus / (deficit) for the year	6 198 044	6 346 478
Appropriations for the year	-2 921 492	-4 794 885
Contribution to Leave Reserve		
Provision for bad debts		
Prior year adjustments	-13 734 281	9 263 711
Accumulated surplus / (deficit): end of year	<u>14 768 705</u>	<u>25 226 434</u>
<b>APPROPRIATIONS</b>		
Provision made for Creditors 0506 expenditure did not realise	-1 039 623.00	411 823.56
Reversal billing on Bakubung Lodge Agreement Council Resolution	3 040 636.00	55 125.00
Plan Associates Town Planning	211 273.00	84 339.00
Assets 2004/2005 Financial Year	243 000.00	249 867.54
VAT MaxProf	256 973.00	1 252 964.00
Back Pay Councillors Allowances	1 000 055.00	39 000.00
Holm Jordaan Planning Fees	91 740.00	-36 338.00
Provision for accumulated leave	898 558.00	-188 360.00
Contribution to capital reserve fund	2 921 492.00	-2 505 000.00
Provision for Bad Debts	8 869 686.00	695 813.50
		4 794 885.00
		-1 842 925.65
		50 309.00

# MOSES KOTANE LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (Continued)

	2007 R	2006 R
<b>18 CASH GENERATED BY OPERATIONS</b>		
Surplus / (deficit) for the year	6 198 044	6 346 478
Adjustments in respect of previous years' operating	-13 734 281	9 263 711
Appropriations charged against income:		
Appropriations	-2 921 492	-4 794 885
Provisions and reserves		
Fixed assets from operating income	1 638 196	1 176 389
Fixed assets from reserves	2 743 956	4 896 471
Capital charges		
Interest paid		
on external loans capitalized		
on external loans	6 018 952	5 009 758
Redemption		
of internal advances		
of external loans	3 043 747	2 483 977
Investment income operating	-1 482 374	-2 053 647
Investment income ( Interest received ) non operating	229	76
Non operating expenditure	-14 707 234	-10 136 635
Non operating income	8 402 954	16 999 411
Credited to provisions and reserves		
Net proceeds on disposal of assets	-605 636	
	<u>-5 404 939</u>	<u>29 191 104</u>
<b>19 (INCREASE) / DECREASE IN WORKING CAPITAL</b>		
(Increase) / decrease in stock	-1 928 669	16 316
(Increase) / decrease in debtors	-30 954 409	-17 291 062
Increase / (decrease) in creditors	-3 214 837	26 832 653
Increase / (decrease) in creditors - Short Term		
	<u>-36 097 915</u>	<u>9 557 907</u>
<b>20 INCREASE / (DECREASE) IN LONG TERM LOANS (EXTERNAL)</b>		
Loans raised	17 092 863	7 100 781
Administration cost Capitalized	20 513	18 898
Short Term Portion		
Loans repaid	-3 043 747	-2 483 977
	<u>14 069 629</u>	<u>4 635 702</u>
<b>21 (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS</b>		
Investments made		
Investments realized	41 044 837	-30 012 911
	<u>41 044 837</u>	<u>-30 012 911</u>

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (Continued)

	2007 R	2006 R
<b>22 (INCREASE) / DECREASE IN CASH ON HAND</b>		
Cash balance: beginning of the year	3 990 350	11 179 323
Cash balance: beginning of the year : Petty Cash		
Less balance at end of year		
Councils General Account	-1 678 214	-3 771 089
Libraries	-93 404	-95 461
LED	-52 659	-54 821
Housing	-2 456 953	-68 979
	<u>-290 880</u>	<u>7 188 973</u>

#### **23 RETIREMENT BENEFITS**

Personnel are members of the Provincial Pension Fund or Retirement Fund.

#### **24 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS**

None

#### **25 CAPITAL COMMITMENTS FOR THE UPCOMING FINANCIAL YEAR**

An amount of R 224 659 896 has been provided for capital expenditure on the budget for the 2007/2008 financial year

The amount of R 224 659 896 will be financed as follows:

External loans	R 30 384 684
Grants and subsidies	R 160 989 212
Asset Financing Fund	R 1 016 000
Operating Income	R 2 270 000

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

#### 26 DISCLOSURES IN TERMS OF SEC. 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003

**Subsection 123(1)(a): Allocations received by the municipality from -**

**(i) an organ of state in the national or provincial sphere of government;**

- 1 Finance Management Grant - R 500 000
- 2 National Treasury- Municipal Systems Improvement Grant-R 734 000

**Subsection 123(1)(b): Allocations made by the municipality to a municipal entity or another municipality or any other organ of state;**

Nil.

**Subsection 123(1)(c): How any allocations referred to in (a) were spent, per vote, excluding allocations received as equitable share or otherwise prescribed by the allocation;**

- 1 Finance Management Grant R 500 00
- 2 National Treasury- MSIG- R 430 000

**Subsection 123(1)(d): Compliance with conditions in subsection 214(1)(c) of the Constitution and any allocations by organs of state other than by national organs of state;**

Yes.

**Subsection 123(1)(e): Reasons for the non compliance with paragraph (d);**

N/A.



## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

**Subsection 123(1)(f): Whether funds to the municipality i.t.o. the Division of Revenue Act were delayed or withheld and the reasons given;**

No.

#### **27 DISCLOSURES IN TERMS OF SEC. 124 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

**Subsection 124(1)(a): Particulars of the salaries, allowances and benefits of political office bearers and councilors of the municipality and whether they are within the upper limits of the framework in section 219 of the Constitution;**

Disclosed in Note 12. Councilors are remunerated within the upper limits of the framework as a grade 3 municipality i.t.o. the Public Office Bearers Act.

**Subsection 124(1)(b): Arrears owed by individual councilors for rates or services which were outstanding for more than 90 days including the names of those councilors;**

Clr. Khoki Mookaneng Account 70000305- R 985.22- one year and five months.

**Subsection 124(1)(c): Salaries, allowances and benefits of the municipal manager, chief financial officer and senior managers;**

Municipal Manager: Total cost to employer - R 688 672

Senior Managers: Total cost to employer - R 552 832

The total cost to employer includes a performance bonus of 12% per annum which is payable after the performance audit. This also include pension, medical aid and transport allowances.

#### **28 DISCLOSURES IN TERMS OF SEC. 125 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

**Subsection 125(1)(a): List of all municipal entities under sole or shared control of the municipality during the financial year and as at the last day of the financial year;**

The Moses Kotane Development Agency (Pty) (Ltd) was established on 8 February 2006.  
The Council holds all the shares in the company.

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

**Subsection 125(1)(b): The total amount of contributions to organised local government for the financial year and the amount outstanding at the end of the financial year;**

Amount paid to SALGA North West - R 56 962

No amounts are outstanding as at the end of the financial year.

**Subsection 125(1)(c): The total amount paid in audit fees, taxes, levies, duties, pension and medical aid contributions, and any outstanding amounts at the end of the financial year;**

Audit fees - R 423 100

Skills development levy - R 15 916

Pension fund contribution - R 5 325 014

Medical aid contribution - R 1 733 367

Contribution to Workman's compensation - R 158 598

UIF contribution - R 252 706

**Subsection 125(2)(a): Every bank account held by the municipality at which bank, the type of account, the year opening and the year end balances in each of these accounts;**

- 1 ABSA current account (Library), opening balance R95 461, closing balance R 93 404
- 2 ABSA current account (LED), opening balance R 54 821, closing balance R 52 659.
- 3 ABSA current account (Housing), opening balance R 68 979, closing balance R 2 456 963.
- 4 ABSA current account (Operating), opening balance R 11 877 653, closing balance R 7 529 637.

**Subsection 125(2)(b): Summary of all investments at end of the financial year;**

- 1 ABSA 32 days notice account, Opening balance 01/07/2006 - R 10 000 000,  
Closing balance 30/06/2007 - NUL.
- 2 ABSA Call account, Opening balance 01/07/2006 - R 31 467 313,  
Closing balance 30/06/2007 - R 629 141.
- 3 ABSA Call account, Opening balance 01/07/2006 - R 496 123,  
Closing balance 30/06/2007 - NUL.
- 4 ABSA 12 months account, Opening balance 01/07/2006 - R 128 082,  
Closing balance 30/06/2007 - R 136 983.
- 5 ABSA Call account, Opening balance 01/07/2006 - R NUL,  
Closing balance 30/06/2007 - R 267 725.

\* Also see note 8.

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

**Subsection 125(1)(c): Particulars of any contingent liabilities of the municipality as at the end of the financial year;**

#### **Claims against the Municipality**

- 1 JONN'S WELDING vs. MOSES KOTANE LOCAL MUNICIPALITY / MR. MOABI: CASE 334/05  
Summons served on municipality in which plaintiff is claiming payment of R 46 500 for renovations effected on the instructions of Mr. Moabi to the Lerome Community Hall. Notice of municipality's intention to defend the action has been given and a request for further particulars was served on plaintiff, to which a response was received. This amount was settled by tjeK 22116 of 3-8-2005.
- 4 NORTH WEST DEVELOPMENT CORPORATION (NWDC): BODIRELO INFRASTRUCTURE  
Claim by NWDC for R 18 000 000 in respect of infrastructure installed by it in Bodirelo Industrial Township during 1990-1991. NWDC also questions municipality's right to hold it liable for the payment of assessment rates.  
This matter could not be resolved and was submitted to Provincial Treasury in terms of section 44 of the MFMA.  
From a legal point of view this claim has prescribed in law.

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

#### Claims on behalf of the Municipality

**1 CLAIM FOR PAYMENT OF ASSESSMENT RATES: MUNICIPALITY / NWDC**

The municipality has held NWDC liable for payment of assessment rates in respect of properties "owned" in terms of legislation applicable to municipal rating. The total amount due by NWDC at 30 June 2007, excluding interest, is R 5 352 887.

It was suggested that at the very least NWDC should pay the outstanding rates in respect of all properties other than those situated in Bodirelo, pending resolution of the dispute between the municipality and NWDC. This proposal was formally put to the managing director of NWDC and advising that the matter would have to be reported to National Treasury and request the latter to mediate between the parties in terms of sec. 44 of the MFMA, 2003, or alternatively proceed with legal action against NWDC for the recovery of the amount due. This matter has now been referred to Provincial Treasury in terms of Section 44 of the MFMA.

NWDC has now agreed to settle the outstanding amount and a final meeting will take place on 13 September 2007 settlement arrangements.

**2 ASSESSMENT RATES: MUNICIPALITY vs. PILANESBERG RESORTS (BAKUBUNG LODGE)**

Municipality sued Pilanesberg Resorts for the payment of outstanding assessment rates.

Summons was issued and served on the defendant during October 2003 in which payment of R 1 043 750.10 was claimed. Defendant is contesting the claim. The amount outstanding as at 30 June 2006 is R 3 430 875.

The Council and Pilanesberg Resorts has reached an agreement on this. The resort was actually liable for rates but undertook to accept liability from 1 July 2006. An amount of R 400 000 was paid and the balance written off.

**3 NATIONAL- AND PROVINCIAL DEPARTMENTS-** The outstanding property rates and service charges for the departments respectively amounts to R 7 584 380.54 and R 4 256 804.78.

The matter has been referred to Provincial Treasury in terms of Section 44 of the MFMA.

Various meetings were held during the year and National Public Works has paid R 624 604.80 in the year and a further amount of R 4 286 055.80 after balance sheet date. Further discussions are in progress to finalise payments of the outstanding amount.

**Subsection 125(2)(d): Particulars of any material losses or wasteful expenditures, unauthorised expenditure during the financial year and whether it is recoverable. Criminal or disciplinary steps taken and recovered losses or write offs must be included;**

Disciplinary steps taken:- The director corporate services was suspended by council on 29 July 2004. The disciplinary committee recommended dismissal on 10 November 2004. Council up to 30 June 2006 did not resolve the matter - see item 91/11/2004.

The amount involved amounts to R 1 023 737.66. The Director Corporate Services was dismissed in October 2006.

Criminal steps taken:- An estimated amount of R 99 700 was lost at the Madikwe offices of the municipality. The official involved was charged but she resigned before the disciplinary investigation could take place. The matter was reported to the SAPS, case nr. 83/05/2005 (Madikwe Police Station). The Court has been requested to rule that the loss be recovered from the ex-official's pension fund. A Court order has been obtained to recover the amount from the pension fund.

## MOSES KOTANE LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

Fruitless expenditure: The Municipal Manager was on sick leave from January 2005 to June 2006. Although the matter was submitted to Council at various meetings no final resolution was taken by the end of the financial year.

The amount involved amounts to R 931 596.27. The Council approved a separation agreement and the Municipal Manager left the service on 30 November 2006.

**Subsection 125(2)(e): Particulars of any non compliance with the Municipal Finance Management Act, 2004;**

Orders numbers 21278 and 21259 to the total amount of R 357 080,64 were issued for the cleaning of septic tanks. No bid Committee resolution is available and funds were not sufficient in the 2005/2006 budget. The payment has been rejected and the matter is under investigation by the accounting officer. According to a verbal report of the then Municipal Manager the matter was reported to the SAPS.

**Subsection 125(2)(f): Any other matters that may be prescribed;**

None.

# MOSES KOTANE LOCAL MUNICIPALITY

## APPENDIX A

### STATUTORY FUNDS, TRUST FUNDS AND RESERVES

FOR THE YEAR ENDED 30 JUNE 2007

	Contributions			Other income	Expenditure	Balance at 30/06/2007
	Balance at 30/06/2006	during the year	Interest on investments		during the year	
	R	R	R	R	R	R
<b>STATUTORY FUNDS</b>						
Land Trust Fund	493 828			102 060		595 888
	493 828			102 060		595 888
<b>TRUST FUNDS</b>						
Refurbishment Grant	0			4 809 544		4 809 544
Sisal Project	53 670				53 670	0
Goat Feedlot Project	209 393					209 393
LED Projects						0
Mabeskraal Library	302 229		229		74 475	227 983
Interns	467 110				467 110	0
Vuna Awards	750 000					750 000
Drought Relieve	11 533 713				10 396 877	1 136 836
MSIG Grant				304 000		304 000
	13 316 115	0	229	5 113 544	10 992 132	7 437 756
<b>RESERVES</b>						
Capital Maintenance Fund						0
Capital Reserve Fund	527 752			3 187 350	3 715 102	0
	527 752	0	0	3 187 350	3 715 102	0
<b>Total</b>	<b>14 337 695</b>	<b>0</b>	<b>229</b>	<b>8 402 954</b>	<b>14 707 234</b>	<b>8 033 644</b>

Note: A Land Trust Fund has been established in terms of Section 79(18)(f) of the Local Government Ordinance 17 of 1939

# **MOSES KOTANE LOCAL MUNICIPALITY**

## **APPENDIX B**

### **EXTERNAL LOANS AND INTERNAL ADVANCES**

**FOR THE YEAR ENDED 30 JUNE 2007**

EXTERNAL LOANS	Balance at 30/06/06	Received during the year	Interest Capitalized	Redeemed or written off during the year	Balance at 30/06/2007
	R	R		R	R
Annuity loans	42 374 949	17 092 863	20 513	3 043 747	56 444 578
	42 374 949	17 092 863	20 513	3 043 747	56 444 578

(Refer to note 5)

# MOSES KOTANE LOCAL MUNICIPALITY

## APPENDIX C

### ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2007

Expenditure 2006 R	SERVICE	Budget 2006/07 R	Balance at 30/06/06 R	Expenditure 2006/07 R	Written off, transferred, redeemed or disposed of during year R	Balance at 30/06/07 R
59 545 346	RATE AND GENERAL SERVICES	123 553 273	172 881 710	80 433 695	605 636	252 709 769
51 248 815	COMMUNITY SERVICES	90 157 383	134 020 317	69 389 546	605 636	202 804 227
2 647 312	Council General Expenses	1 970 000	22 395 088	1 134 433	557 500	22 972 021
48 041 439	Public Works	86 007 383	109 374 301	67 876 254	-	177 250 555
-	Municipal Manager		680 019	18 380	48 136	650 263
515 485	Technical Services		810 873	196 350	-	1 007 223
	Traffic	2 100 000				
44 579	Budget and Treasury Office	80 000	760 036	164 129	-	924 165
7 982 688	SUBSIDISED SERVICES	32 287 890	38 547 550	10 310 308	-	48 857 858
283 674	Library	350 000	2 590 779	563 643	-	3 154 422
1 050 924	Municipal buildings	20 000 000	23 204 177	4 960 389	-	28 164 566
1 325 478	Cemeteries		3 764 321	146 792	-	3 911 113
5 322 612	Parks and recreation	11 937 890	8 988 273	4 639 484	-	13 627 757
313 843	ECONOMIC SERVICES	1 108 000	313 843	733 841	-	1 047 684
-	Refuse	-	-	-	-	-
-	Housing	-	-	-	-	-
313 843	Sewerage	1 108 000	313 843	733 841	-	1 047 684
5 919 387	TRADING SERVICES	51 424 057	11 814 960	437 040 090	-	448 855 050
-		-	-	-	-	-
5 919 387	Water service	51 424 057	11 814 960	437 040 090	-	448 855 050
65 464 733	TOTAL FIXED ASSETS	174 977 330	184 696 670	517 473 785	605 636	701 564 819
LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS						
56 416 903			142 720 469	515 509 894	605 636	657 624 727
2 483 977	Loans redeemed and advances repaid		5 914 593	3 043 747	-	8 958 340
1 176 389	Contributions from operating income		10 629 816	1 638 196	465 636	11 802 376
47 860 066	Grants and subsidies		116 705 344	508 083 995	140 000	624 649 339
4 896 471	Reserves		9 470 716	2 743 956	-	12 214 672
9 047 830	NETT FIXED ASSETS		41 976 201	1 963 891	-	43 940 092



<b>MOSES KOTANE LOCAL MUNICIPALITY</b> <b>APPENDIX D</b> <b>ANALYSIS OF OPERATING INCOME AND EXPENDITURE</b> <b>FOR THE YEAR ENDED 30 JUNE 2007</b>				
Actual 2006			Actual 2007	Budget 2007
R			R	R
66 534 692		<b>INCOME</b>		
		Government and Provincial grants and Subsidies	81 817 700	97 462 000
		Income from tariffs:		
		Assessment rates	22 680 529	21 615 299
		Refuse	851 265	897 444
		Sewerage	321 967	334 565
		Sale of Water	37 883 993	37 354 169
		Other Income	11 024 271	18 112 990
66 534 692		Total Income	154 579 725	
0		Transfer from appropriations	0	3 360 000
66 534 692		Total	154 579 725	3 360 000
		<b>EXPENDITURE</b>		
24 280 932		Salaries, wages and allowances	47 849 531	51 888 045
0		Bulk Purchase of water	23 268 751	21 147 960
46 150 676		General expenses	60 615 935	80 671 244
7 987 067		Repairs and maintenance	9 758 589	14 110 434
7 493 735		Capital charges	9 062 699	10 658 477
0		Contributions to fixed assets	443 909	2 892 200
1 267 822		Contribution to funds	2 034 478	2 334 478
0		Transfers to/from NDR's	0	
87 180 232		Gross expenditure	153 033 892	183 702 838
4 495 155		Less: Amounts charged out	4 652 211	4 652 211
82 685 077		Net expenditure	148 381 681	179 050 627

MOSES KOTANE LOCAL MUNICIPALITY							
APPENDIX E							
DETAILED INCOME STATEMENT FOR THE YEAR							
ENDED 30 JUNE 2007							
2006 Actual Income	2006 Actual Expenditure	2006 Surplus / (Deficit)		2007 Actual Income	2007 Actual Expenditure	2007 Surplus / (Deficit)	Budget Surplus / (Deficit)
R	R	R		R	R	R	R
89 031 556	76 101 480	12 930 075	RATE AND GENERAL SERVICE	100 551 569	93 890 609	6 660 960	-6 773 825
81 904 448	50 184 069	31 720 380	COMMUNITY SERVICES	99 362 610	64 969 172	34 393 438	18 344 090
	19 978 147	-19 978 147	Council's general expenses	14 296	25 316 583	-25 302 287	-22 033 702
	2 533 478	-2 533 478	Office of the Mayor		2 558 597	-2 558 597	-2 641 692
	202 240	-202 240	Office of the Speaker		425 576	-425 576	-739 436
50 169	1 168 558	-1 118 389	Municipal Manager		761 233	-761 233	-1 198 490
	4 287 121	-4 287 121	Corporate Services		5 465 421	-5 465 421	-4 518 992
	4 521 310	-4 521 310	Strategic Management		5 314 535	-5 314 535	-7 328 797
	511 934	-511 934	Housing and LED		1 621 392	-1 621 392	-1 855 335
81 854 279	1 088 788	80 765 491	Budget and Treasury Office	99 321 751	4 409 169	94 912 582	80 899 008
	600 234	-600 234	Community Services		1 001 928	-1 001 928	-998 462
	644 754	-644 754	Libraries	18 824	598 485	-579 661	-793 522
			Traffic		212 012	-212 012	0
	1 296 750	-1 296 750	Security		2 267 287	-2 267 287	-2 011 347
	3 961 762	-3 961 762	Transport Services		4 354 810	-4 354 810	-5 089 268
	1 204 379	-1 204 379	Infrastructure	7 739	1 396 355	-1 388 616	-1 716 446
	1 799 934	-1 799 934	Streetlighting		2 904 343	-2 904 343	-3 670 701
	6 384 681	-6 384 681	Roads and Storm water		6 361 446	-6 361 446	-7 958 728
25 957	7 957 276	-7 931 319	SUBSIDISED SERVICES	15 727	10 937 489	-10 921 762	-11 030 652
9 145	398 286	-389 141	Cemetery	8 722	275 346	-266 624	-470 721
16 812	4 799 319	-4 782 507	Municipal buildings	7 005	6 767 177	-6 760 172	-6 847 093
	2 759 670	-2 759 670	Parks and recreation		3 894 966	-3 894 966	-3 712 838
7 101 150	17 960 136	-10 858 986	ECONOMIC SERVICES	1 173 232	17 983 948	-16 810 716	-14 087 263
314 026	3 809 233	-3 495 207	Sewerage	321 967	2 676 855	-2 354 888	-4 837 755
6 787 124	14 150 903	-7 363 779	Cleansing	851 265	15 307 093	-14 455 828	-9 249 508
0	6 583 597	-6 583 597	TRADING SERVICES	54 028 156	54 491 072	-462 916	6 859 665
	6 583 597	-6 583 597	Electricity service				
			Water service	54 028 156	54 491 072	-462 916	6 859 665
89 031 556	82 685 077	6 346 478	TOTAL	154 579 725	148 381 681	6 198 044	85 840
		-4 794 885	Appropriations for the year (Refer to note 15)			-2 921 492	
		6 346 478	Net surplus for the year			6 198 044	
		14 411 130	Accumulated surplus at the beginning of the year			25 226 434	
		9 263 711	Prior year adjustments			-13 734 281	
		25 226 434	ACCUMULATED SURPLUS AT THE END OF THE YEAR			14 768 705	

# MOSES KOTANE LOCAL MUNICIPALITY

## APPENDIX F

### STATISTICAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2007

#### General statistics

Population	236 845	237 017
Registered voters	116 000	116 000

Valuation date: 2 January 2002 with effect from 1 July 2002

Total valuations	Land	407 351 300	407 351 300
	Improvements	1 808 731 200	1 808 731 200
	Improved	<b>2 216 082 500</b>	2 216 082 500
Provisional Supplementary Valuation Roll	Land	47 625 900	
	Improvements	171 300 000	
	Improved	<b>218 925 900</b>	

#### Assessment rates

Calculated on land and improvements where the property has been developed

Residential	per rand	0.011 & 0.0032	0.01 & 0.003
Commercial		0.085 & 0.03	0.08 & 0.028
Other properties and right in land		0.1107 & 0.065	0.1045 & 0.061
Sun City		0.10 & 0.0230987	0.095 & 0.0217913
Government properties and Tertiary Institutions		0.1107 & 0.065	0.1045 & 0.061 -
		Less 20 %	Less 20 %

#### Number of properties

Residential	Formal	3 242	3 242
Commercial	Formal	88	88
Churches	Formal	36	36

Service charges: (Per site)

#### Refuse Removal

Residential Madikwe	13.25 plus VAT	12.50 plus VAT
Commercial Madikwe	26.50 plus VAT	25.00 plus VAT
Residential Mogwase	13.25 plus VAT	12.50 plus VAT
Commercial Mogwase	26.50 plus VAT	25.00 plus VAT

#### Sewerage

Residential Madikwe	13.25 plus VAT	12.50 plus VAT
Commercial Madikwe	26.50 plus VAT	25.00 plus VAT
Residential Mogwase	4.24 plus VAT	4.00 plus VAT
Commercial Mogwase	26.50 plus VAT	25.00 plus VAT

#### Water

Residential	0 to 6kl Free of Charge	
	6.1 to 45 kl R6.50	
	45.1kl and above R7.48	

Small Business and State Department	0 to 45kl R6.50	
	45.1kl and above R7.80	

Bulk Consumers	R4.90 per kl	
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Industrial and large consumers	R6.70 per kl	
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All water tariffs are excluding VAT

Number of employees	324	116
Number of councilors	60	60